

India@77: 5th-largest economy needs growth to trickle down

Nation faces challenges regarding per capita income and widening income gap between top 1% and bottom 50% remains a concern

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New Delhi, 14 August

As India commemorates its 78th Independence Day on August 15, *Business Standard* looks at the economic journey of the nation over these years. This year's theme— "Viksit Bharat"— envisions India becoming a developed nation by 2047.

India has made significant progress in various areas. The gross domestic product (GDP) at current prices around \$3.5 trillion, making it the fifth-largest economy globally. It was under \$1 trillion in the 1960s and stood at the 8th-9th position, according to the data from the World Bank.

Sector-wise contribution to the economy has also shifted over the decades. In 1963-64, agriculture and allied sectors contributed 43.4 per cent to the gross value added (GVA). Industry — comprising manufacturing, construction, electricity, gas, and water supply — made up 22.2 per cent, while services, including trade, hotels, finance and public administration, accounted for 40.9 per cent. In 2023-24, the share of agriculture and allied sectors declined to 17.7 per cent, while that of industry rose to cross one-fourth of GVA, and the services surged to dominate with a 54.7 per cent share. This is in line with a trend seen worldwide when countries develop, even as India missed the shift to industry, particularly manufacturing, on a large scale in between. India's population reached close to 1.5 billion in 2024, according to the

data from the United Nations, but the average annual growth rate has slowed down to below replacement level.

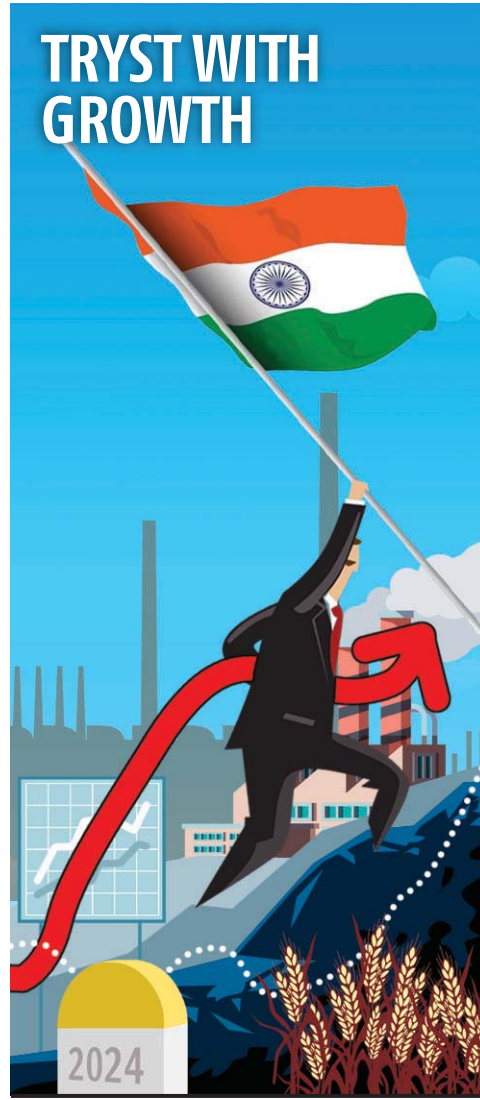
Between 2014 and 2024, the population grew at a compound annual growth rate (CAGR) of 1 per cent compared to 2.4 per cent between 1954 and 1964. The replacement level is 2.1 per cent growth and it is needed to stabilise population at the current level.

The median age (the age which divides the number of people equally) has also risen from 20 years in 1950 to 28 years in 2024. Despite economic growth, India faces challenges regarding per capita income. India's GDP per capita was \$2,484.8 in 2023, as per the latest data available from the World Bank. We were still at 141st globally.

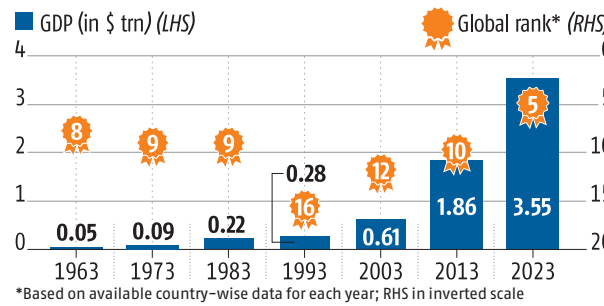
The widening income gap between the top 1 per cent and the bottom 50 per cent remains a concern. The former accounted for 22.6 per cent of the national income, an increase from 11.8 per cent in 1952, according to a report titled "Income and Wealth Inequality in India, 1922-2023: The Rise of the Billionaire Raj" by the World Inequality Lab authored by New York University's Nitin Kumar Bharti, Lucas Chancel of the Harvard Kennedy School, Thomas Piketty and Anmol Somanchi from the Paris School of Economics.

The report was released in March this year. On the other hand, the share of the bottom 50 per cent has decreased from 20.7 per cent to 15 per cent over the same period.

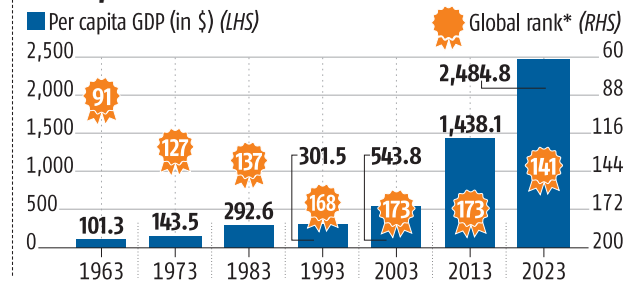
ILLUSTRATION: BINAY SINHA



GDP ON THE RISE



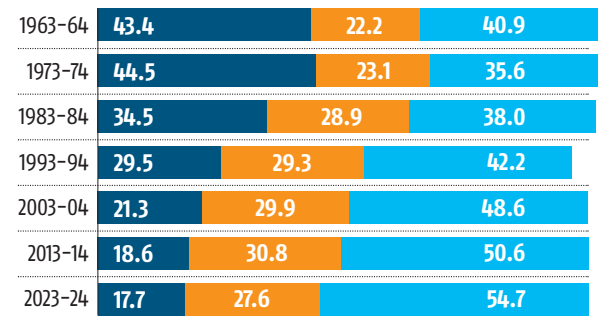
STILL, TRAILS 140 NATIONS PER CAPITA



ECONOMY SHIFTS FROM AGRI TOWARDS SERVICES

Sector-wise share in GVA (in %)

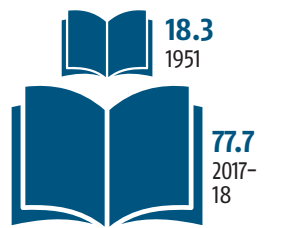
■ Agriculture, forestry & fishing
■ Industry ■ Services



Note: Base year taken 2011-12, figures for few years won't add up to 100; figures for agriculture and allied for 1963-64 also includes mining and quarrying

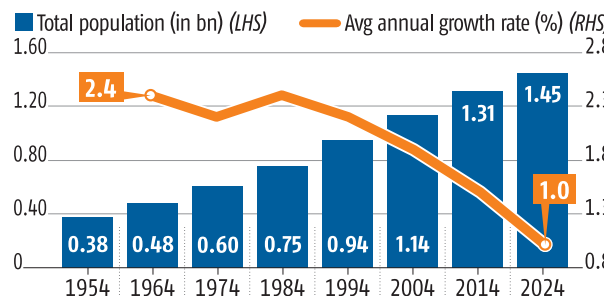
LITERACY RATE UP

Literacy rate (in %)



Source: Economic Survey 2022-23, MoSPI

POPULATION GROWTH SLOWS



Note: GDP at current prices; ranking based on available country-wise data for each year; PE refers to Provisional Estimates; GVA refers to gross value added
Sources: World Bank, Economic Survey 2023-24, United Nations, World Inequality Lab

INCOME GAP WIDENS

